



# U.S.-Korea Trade Agreement What's At Stake for Potatoes?

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The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union (EU) in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

## **Potatoes and Potato Products**

### *With the Agreement...*

Frozen potatoes (frozen fries) will enter duty free upon implementation of the KORUS agreement, eliminating the current 18-percent tariff on \$41-million worth (2009 value) of frozen potato imports.

Fresh potatoes for chipping will receive seasonal treatment that will be phased out over 15 years. All quantities will enter duty free during the out-of-season period (December 1-April 30), which is currently when the majority of U.S. chipping potatoes enter Korea, in effect eliminating the 30-percent applied tariff. During the in-season period (May 1-November 30), the tariff will be phased out over 15 years, with no reduction in tariff during years one through seven. Beginning in the eighth year, duties shall be reduced in eight equal annual reductions.

Fresh potatoes for table use will enter under a new tariff-rate quota (TRQ) starting with a duty-free quantity of 3,000 metric tons that will grow 3 percent compounded annually in perpetuity. The new TRQ provides access that U.S. fresh potatoes for table use currently do not have. The over-quota tariff of 304 percent is maintained.

Dehydrated potatoes will enter under a 10-year safeguard with an initial duty-free quantity of 5,000 tons that grows 3 percent, compounded annually. Korea has imported only a small quantity of pure dehydrated potatoes in the past and this significant access will allow U.S. exporters to expand the market and uses of the product.

Korean imports of U.S. mixtures containing dehydrated potatoes will see the current 20-percent tariff phased out over either five or seven years, depending upon the classification at time of import.

*The Trade Situation...*

Korea is the fifth largest market for U.S. frozen potato products. From 2007 through 2009, U.S. suppliers shipped an annual average 33,143 tons of frozen French fries to Korea, valued at \$36.4 million. The U.S. share of Korea's growing import market averaged 79 percent.

Korean imports of U.S. fresh potatoes from 2007 to 2009 have annually averaged 10,942 tons, valued at \$5 million. From 2007 to 2009, Korean imports of dehydrated potatoes from the United States averaged 1,184 tons valued at \$2.5 million.

*The Current Market Access Situation...*

U.S. frozen potato products (frozen fries) are currently subject to an 18-percent applied tariff.

U.S. fresh potatoes for both chipping and table use are subject to an 18,810-ton global World Trade Organization TRQ with an in-quota tariff of 30 percent. The out-of-quota tariff is a prohibitive 304 percent.

U.S. dehydrated potatoes are subject to a 20-ton TRQ with an in-quota tariff rate of 5.4 percent. Since this quota volume is so small and covers imports from the entire world, Korea applies the 304-percent tariff on most imports of dehydrated potatoes.

U.S. mixtures containing dehydrated potatoes are currently subject to a 20-percent tariff.

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